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BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter Of

MUR 5197

**National Republican Senatorial Committee
Building Fund
Non-Federal Account**

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FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

**RESPONSE OF THE NATIONAL REPUBLICAN SENATORIAL COMMITTEE
TO THE COMPLAINT OF THE NATIONAL TAXPAYERS UNION**

INTRODUCTION

On March 27, 2001, the National Taxpayers Union ("Complainants") filed a complaint against the National Republican Senatorial Committee ("NRSC") and others. The complainants allege that between 1997 and 2000, the NRSC accepted impermissible contributions from Freddie Mac and Fannie Mae which were used to influence federal, state, or local elections in violation of Section 441(b) of the Federal Election Campaign Act (FECA).

The NRSC has been served with notice of complaints identifying both the NRSC-Building Fund and the NRSC-Non-Federal Account as Respondents. This response constitutes a joint answer to both complaints.

ANALYSIS

1. Contributions by Fannie Mae to the NRSC Building Fund Account

The NTU complaint addresses the following contributions that the NRSC accepted from Fannie Mae, as identified by date and amount:

| | | | |
|----------|-------------|----------|--------------|
| 11/10/97 | \$15,000.00 | 08/31/99 | \$ 5,000.00 |
| 10/14/98 | \$50,000.00 | 08/31/99 | \$ 45,000.00 |
| 10/26/98 | \$25,000.00 | 06/30/00 | \$100,000.00 |
| 07/07/99 | \$25,000.00 | | |

Each of the above-noted contributions was deposited into the NRSC's Building Fund account, which is used exclusively for the purpose of construction or purchase of a building, in accordance with 2 U.S.C. 431(8)(B)(viii). As such, the NRSC properly reported these donations to the FEC as contributions to the Building Fund, on Schedule I, Line 1, of our monthly reports.

Contrary to the allegations in the NTU complaint, none of these contributions were used to impact federal, state, or local election related activities. Furthermore, none of the Fannie Mae funds deposited into the NRSC's Building Fund Account were diverted to prohibited, or non-federal accounts. As such, the allegation that the NRSC violated federal law by accepting impermissible donations from Fannie Mae is baseless.

2. Contributions by Freddie Mac to the NRSC Building Fund Account

The NTU complaint addresses the following contributions that the NRSC accepted from Freddie Mac, as identified by the heading "NRSC-Building Fund," and listed by date and amount:

| | | | |
|----------|--------------|----------|-------------|
| 12/31/97 | \$ 50,000.00 | 12/20/99 | \$25,000.00 |
| 07/22/98 | \$100,000.00 | 12/20/99 | \$75,000.00 |
| 10/27/98 | \$100,000.00 | 04/17/00 | \$50,000.00 |
| 09/03/99 | \$ 10,000.00 | 07/17/00 | \$30,000.00 |

Each of the above-noted contributions from Freddie Mac was deposited into the NRSC's Building Fund account, which is used exclusively for the purpose of construction or purchase of a building, in accordance with 2 U.S.C. 431(8)(B)(viii). As such, the NRSC properly reported these donations to the FEC as contributions to the Building Fund, on Schedule I, Line 1, of our monthly reports.

Contrary to the allegations in the NTU complaint, therefore, none of the above-noted contributions were used to impact federal, state, or local election related activities. Furthermore, none of the above-noted contributions from Freddie Mac (which were properly deposited into the NRSC's Building Fund Account) were diverted to prohibited, or non-federal accounts. As such, the allegation that these contributions represent impermissible donations is baseless.

3. Other contributions from Freddie Mac to the NRSC

- (a) The complaint also addresses a contribution from Freddie Mac in the amount of \$100,000, which the NRSC reported as being received by its non-federal account on October 14, 1999.

It appears that the October 14, 1999 contribution from Freddie Mac was deposited into the NRSC's non-federal account for use in offsetting compliance costs, such as legal and accounting expenses. Following investigation and inquiry, the NRSC now believes that this contribution was erroneously deposited to the NRSC non-federal account.

- (b) Upon internal audit of Freddie Mac's contributions to the NRSC, it has also been discovered that a donation in the amount of \$60,000 (reported as being received on July 17, 2000) was divided into two separate deposits. An amount equal to \$30,000 of that donation was deposited into the NRSC Building Fund account. Again, the remaining \$30,000 of the July 17, 2000 donation from Freddie Mac was erroneously deposited into the NRSC non-federal account compliance account.

For the reasons stated above, the NRSC is of the opinion that this contribution was also incorrectly deposited to the NRSC non-federal account in apparent violation of 2 U.S.C. Sec. 441(b). Although this \$30,000 contribution was not specifically addressed in the NTU complaint, the NRSC is bringing this donation to the FEC's attention in the interest of full disclosure and in an attempt to demonstrate our good faith intent to resolve this complaint.

CONCLUSION

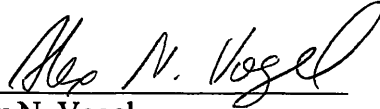
In summary, the NRSC denies as unfounded the assertions that contributions from Fannie Mae were accepted and/or utilized in violation of federal law. The NRSC also asserts that the majority of the identified donations from Freddie Mac were accepted in full compliance with FECA.

To the extent that the NTU complaint has merit, it is with respect to the contribution dated October 14, 1999 (in the amount of \$100,000) and the contribution dated July 17, 2000 (in the amount of \$30,000).

In order to rectify this problem, the NRSC has remitted a refund in the amount of \$130,000.00 to Freddie Mac. It is regrettable that this violation occurred, and internal procedures have been instituted to ensure that no future contributions from Freddie Mac or any other congressionally-chartered corporation are accepted by the NRSC's non-federal account or any other impermissible account.

In rectifying this matter as soon as it was brought to our attention, the NRSC hopes to demonstrate its strong commitment to conducting our activities in full compliance with FECA. In an effort to resolve this matter expeditiously, the NRSC proposes to enter into pre-probable cause conciliation or into the Commission's ADR program with regard to this matter.

Respectfully submitted,

A handwritten signature in cursive script, reading "Alex N. Vogel". The signature is written in dark ink and is positioned above a horizontal line.

Alex N. Vogel

General Counsel, National Republican Senatorial Committee

July 11, 2001